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SUBJECT: JORDAN: SCENESETTER FOR CODEL HAGEL

1. (U) Embassy Amman warmly welcomes CODEL Hagel to Jordan. The Government of Jordan (GOJ) is not only one of our closest allies, but it is fully engaged in supporting our most important priorities in the region, including creating a free Iraq, fulfilling the President's vision of a two-state solution to the Israeli-Palestinian conflict, fighting global terrorism, and advancing comprehensive Jordanian and Arab reform. We have highlighted below recent political, economic and social developments that set the context for your visit.

2. (SBU) TERRORIST BOMBINGS: Jordan is united in a mood of defiance after the November 9 bombings of three Amman hotels. Anger over the bombings spans the political spectrum, and includes groups such as the Muslim Brotherhood that are critical of Jordan's close relationship with the U.S. Hundreds of thousands of Jordanians have demonstrated peacefully around the country to denounce the attacks and to pledge their support for King Abdullah. The killing of innocent Muslims in the blasts, especially the carnage wrought on a wedding party, has significantly cut into sympathy for al-Qaeda amongst the sizable number of Jordanians who had previously condoned its terrorist operations in Iraq and elsewhere. In a national survey published on November 16, 87.1% of respondents said they believed that al-Qaeda was a "terrorist organization," compared to only 7.4% who held the opposite view. Approximately 65% said their views on al-Qaeda had changed for the worse after the November 9 bombings. The GOJ recently announced new regulations aimed against foreign militants, and is drafting new legislation to prohibit the promotion or justification of terrorist acts. To date, the attacks have had little negative impact on Jordan's economy.

3. (SBU) NATIONAL AGENDA FOR REFORM: King Abdullah and his reform team are proud of their achievements, but are keen to accelerate the pace of political transformation. Earlier in the year, the King appointed a royal commission made up of members from a broad swathe of Jordanian society to draft a comprehensive "National Agenda" that would chart the course for sweeping reforms in eight different substantive areas over the next 10 years. After completing its work last month, the commission is preparing to formally present the National Agenda to the King in the coming days. Regarding political reforms, the Agenda includes recommendations for new laws on political parties and elections that would strengthen the currently weak role of parties and create a more representative parliament. Supporters of the status quo in parliament and elsewhere, however, have already expressed strong resistance to some of the expected changes, recognizing that a more democratic political process and open economy would negatively impact their entrenched political and economic interests. To help push forward his reform agenda, the King recently replaced several of his key advisors in the royal court and named a number of new Senators. There is much speculation that the King may soon appoint a new prime minister to lead a revamped cabinet.

4. (SBU) SUPPORT FOR IRAQ: The GOJ has taken a forward-leaning view of the conflict in Iraq, realizing earlier than most of Iraq's neighbors that the stabilization and rebuilding of Iraq should be a top regional priority. Despite some domestic political opposition and strong public sentiment against U.S. policy on Iraq, the GOJ has been steadfast in assisting our efforts in Iraq. The Iraqi police training facility in Jordan, for example, has provided instruction for thousands of new Iraqi police officers. The GOJ has also provided training for the new Iraqi army and numerous Iraqi government civilians (such as air traffic controllers and employees of Iraqi ministries). On September 10, Jordanian Prime Minister Adnan Badran - accompanied by four other cabinet members - became the first senior Arab state official to travel to Baghdad since the fall of Saddam. King Abdullah regularly meets with Iraqi officials visiting Jordan and he has repeatedly encouraged all Iraqi factions and groups to participate in the political process. Jordan has named an ambassador to Iraq, retired general Ahmad al-Lozi; the timing of his arrival in Baghdad depends now on when the Iraqi leadership can accept his credentials.

5. (SBU) ISRAEL AND THE PALESTINIANS: The GOJ continues to urge the Palestinian Authority to coordinate closely with the

Israelis on post-withdrawal Gaza and on advancing the roadmap. Jordan has lent both rhetorical and tangible support to President Abbas in his efforts to bolster his authority in the Palestinian territories, and to reform the security apparatus. Jordan's 1994 peace treaty with Israel - though publicly unpopular - remains a cornerstone of its security and economic strategy. The GOJ strongly opposes the construction of the Israeli security barrier outside the Green Line and the expansion of Israeli settlements.

16. (SBU) COMBATING EXTREMISM: The GOJ has a strong interest in combating Islamic extremism, and has actively supported religious tolerance and moderation. In November of 2004, Jordan's top cleric, backed by the King, launched the "Amman Message," which argued that authentic Islamic traditions call for respect for others, tolerance, freedom of conscience, and the rejection of extremist violence. In July of this year, Jordan hosted an international conference of approximately 170 Islamic scholars and clerics to promote the Amman Message. Its closing communiqu  , endorsed by Islamic authorities in several countries - including Grand Ayatollah Sistani in Iraq - clearly denounced key elements of al-Qaeda's ideology.

17. (SBU) ECONOMIC ISSUES: Jordan has traditionally been dependent on foreign assistance, for which it is very grateful, but is determined to move from an aid-based to a trade-based economy. Since King Abdullah assumed power, Jordan has emerged as a model for economic reform in the region. In close cooperation with USAID, Jordan rewrote its laws and regulations to meet WTO requirements, modernized its customs regime, and took important steps to encourage foreign investment. These reforms helped Jordan's GDP of USD 10.8 billion grow by 7.6% last year in real terms, fueled by booming exports to Iraq and the U.S. (NOTE: The U.S.-Jordan Free Trade Agreement went into effect in December 2001. END NOTE.) Jordan still has work to do, however, to reform basic government services, create a climate of full transparency and accountability, and curb widespread unemployment, particularly among the large number of young Jordanians who enter the job market each year. Despite its recent strong economic performance, Jordan's system of fuel-price subsidies at a time of record high oil prices, combined with its large public debt burden, has put a tight fiscal squeeze on the GOJ. Jordan has already cut back these subsidies - a politically painful step - in line with plans to completely end them within two years, but in the meantime is seeking additional assistance from Saudi Arabia, the UAE and Kuwait. The GOJ's revised budget for 2006 aims to bring down the deficit from 16.1% of GDP in 2005 to 7.5% in 2006. On November 8, the U.S. Millennium Challenge Corporation selected Jordan as eligible for its Threshold Program. Assistance under this program will be used to help Jordan eventually qualify for Millennium Challenge Account (MCA) development assistance funding.

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